

*Accounting 1-3*

LS 6-1113a

OGC HAS REVIEWED.

9 August 1956

MEMORANDUM FOR: Chairman, Board of Review for Shortages  
and Losses

SUBJECT : Individuals' Liability Regarding Shortages  
of Funds

25X1A9a 1. I refer to the memorandum, subject as above, together  
with attachments, addressed to the Chairman of the Board by the  
Chief, Finance Division, which the Board preliminarily considered  
several weeks ago and transmitted to me for study. The Finance  
Division memorandum suggests that this Office and the DD/A took  
a position in the [redacted] case which is contrary to the position  
of this Office, the Board, and the DD/S in the [redacted] case and  
25X1A9a recommends that the Board recommend reversal of the [redacted]  
25X1A9a decision by reimbursement to [redacted] and write off to admini-  
strative expense of the amount involved.

2. We have re-examined the file forwarded by the Finance  
memorandum, which includes the report and traffic on the [redacted] 25X1A9a  
case, and we see no basis for reversal. As we pointed out in  
paragraph 5 of attachment C, legislation applicable throughout  
Government permits accountable offices to be relieved for the loss  
or shortage of Government funds if the head of the department determines  
(1) that such loss or deficiency occurred while the officer was  
acting in the discharge of his official duties or that such loss or  
deficiency occurred by reason of the act or omission of a subordinate  
of such officer or agent and (2) that such loss or deficiency occurred  
without fault or negligence on the part of such officer or agent.  
It appears that the second standard was not met, that is, there  
was negligence in the failure to establish procedures which would  
permit the distribution of the payroll, in advance, into separate  
envelopes so that an error could be detected prior to any disburse-  
ment. Moreover, the Chief of Mission also, although of the opinion  
"that every reasonable precaution was taken", in fact acknowledges  
the contrary by pointing out that a procedure has now been adopted

"whereby the funds are distributed, immediately after  
being drawn from the cashier, and the cash for each  
employee on the payroll is put into an envelope,  
properly identified to assure delivery to the proper

25X1A

employee. In this way any error in distribution would be discovered before any funds had actually been disbursed and could be rectified immediately" (10 March 1953).

25X1A9a

3. Finance does not suggest that the [redacted] case be reversed nor was the file on that case forwarded. However, [redacted] advises that the situation in that case was that of a shortage from a petty cash fund in which there was a showing of freedom from negligence, including a highly laudatory record in the disbursing of cash in large amounts without error over a period of several years. We would think there is no basis on which to reverse the [redacted] case either.

25X1A9a

25X1A9a

4. The file is returned herewith.

25X1A9a

[redacted]  
Assistant General Counsel

**Attachment**

25X1A9a

cc: [redacted]

OGC/RHL:jcf

**Distribution:**

- Orig. - Addressee
- 1. - Subject
- 1. - Signer
- 1. - Chrono